

PROCUREMENT SHORTCUTS

THE STORY

Alex is an executive who has worked in a State Government department for two years. He is authorised to approve invoices up to the value of \$10,000. On average he would approve between 15 and 20 invoices a day. Although Alex looks at each invoice he doesn't read them all carefully because he simply does not have the time.

Alex relies very much on his trusted team, in particular his loyal procurement officer Joseph, who has worked in the department for 16 years.

Alex receives a call from an accounts payable officer from Shared Services enquiring as to why the last two invoices from Infinite One, which appear to be for the same service, are both for the amount of \$9,500.

Alex does not see an issue with the invoices and tells the Shared Services officer that he will have Joseph call him with an explanation.

When Alex speaks to Joseph he is shocked to discover that in order to avoid the \$10,000 payment approval threshold that would require the approval of the Chief Executive, Joseph arranged for Infinite One to split the procurement into two invoices. Joseph explains that it is easier and more efficient this way, especially when the vendor needs urgent payment. Joseph thought that Alex knew about this and was ok with the process as he had approved the invoices.

As this is a serious breach of policy Alex approached HR for some assistance. A preliminary audit was undertaken which identified another 30 occasions where invoices had been split to avoid requiring the approval of the CE. These invoices have been processed by Joseph and other trusted members of Alex's team – and Alex has approved every one of them.

The audit also uncovers four invoices for \$4,000 each for security consulting. When Alex approved these invoices he assumed they were for security advice regarding a recent refurbishment. HR tells Alex that these services were in fact provided by another department at no cost. The security vendor turns out to be a delicatessen owned by Joseph's wife.

The matter is reported to the OPI.

GOVERNANCE ISSUES

Identify the risks associated with procurement.

What do you think the primary governance issue is in this matter?

What additional controls could the public authority put in place to prevent this type of thing from happening again?

What other things might the public authority consider doing to prevent inappropriate conduct?

Who is most culpable for the department's maladministration?